

Questions and Answers: Recovery Act Funding for the SmartWay Clean Diesel Finance Program

Updated April 1, 2009

NOTE: The last update of this document will be posted Friday, April 22, 2009, which means the last day to submit questions is Friday, April 17, 2009, 5pm EDT.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provides \$300 million in new funding to support the implementation of verified and certified diesel emission reduction technologies. The Smartway Finance RFA covers \$30 million that must be used to achieve significant reductions in diesel emissions in terms of tons of pollution produced and diesel emissions exposure (particularly from fleets operating in areas designated by the Administrator as poor air quality areas), and the funded projects must demonstrate the ability to maximize job preservation and creation.

Applicants must review and use the most recent version of the Request for Applications (RFA) on www.epa.gov/cleandiesel to use when applying for this Funding Opportunity. Slight modifications were made on March 24, 2009.

The following Questions and Answers are compiled for the benefit of organizations considering applying for a grant under the Smartway Clean Diesel Finance ARRA RFA. (RFA Number: EPA ARRA-OAR-OTAQ-09-04).

A. Applicant Eligibility

B. Project Eligibility

- i. After-treatment and Anti-Idling Technologies
- ii. Clean and Alternative Fuels
- iii. Engine Replacements, Repowers, and Shutdowns
- iv. Scrappage Guidelines
- v. Miscellaneous: Shore Power, Hybrids, and more.

C. Application Process

D. Recovery Act Requirements

Applicant Eligibility

Question A1: Can an individual apply for funding under this ARRA RFA?

Answer: No. Only the eligible entities listed in Section III(A) of the RFA can apply for funding under.

Question A2: Will this RFA fund diesel emission reductions that are required by law?

Answer: No funds awarded under this RFA can be used to fund the costs of emissions reductions that are mandated under Federal, State or local law. Refer to Section I.C.7: Restriction for Mandated Measures.

Question A3: The RFA states that award funds cannot be used to meet federal, state, or local emissions reduction mandates. What if a mandate has been passed or approved but has not yet gone into effect? Does an “anti-idling” mandate preclude the use of award funds for anti-idling technologies?

Answer: Mandated emissions reductions are defined by the date the mandate goes into effect, not the date the mandate is passed or approved. For proposals that include activities covered by a mandate, those activities must be completed before the mandate goes into effect, regardless of the length of the grant project period. An “anti-idling” requirement that does not require that a specific type (or types) of technology be installed or used is not considered a mandate and does not preclude use of award funds for anti-idling technologies. Note that the emission reductions from the funded activities that occur after the mandated emissions go into effect cannot be included in the total emission reductions projected for the project application.

Question A4: Is a college that owns trucks eligible to apply for this grant?

Answer: The college must first meet the eligible entity criteria in Section III (A) of the RFA. If the college falls into one of the eligible entity categories, the answer then depends on the actual project proposed. The project must meet all threshold eligibility criteria in Section III (C) of the RFA. All applicants should ensure that the project they are proposing is eligible based on these and any other requirements in the RFA.

Question A5: Are community colleges eligible to apply?

Answer: No.

Question A6: Can a private company (i.e. school bus, transit bus, engine manufacturer, retrofit technology manufacturer, etc) apply for funding under this RFA?

Answer: No. Only eligible entities as identified in Section III (A) of the RFA may apply. A private company may partner with an eligible entity but cannot apply on its own. EPA procurement rules must be followed for any contracts, partnerships, or subawards/subgrants, as explained in Section IV (G) of the RFA.

Question A7: If a private company partners with an eligible entity, can the eligible entity choose that company without competition?

Answer: It depends on the type of relationship between the entities-subgrant or contract. In most cases, the eligible entity must select a contractor through a fair and open competitive process as required by the procurement rules. Please refer to the clause in Section IV(D) for further information on selecting subgrantees or contractors.

Question A8: If a private company partners with an eligible entity, can the eligible entity choose that company without competition?

Answer: It depends on whether the entity is choosing a contractor or a subgrantee(s). Refer to the clause in Section IV.G for information on selecting subgrantees or contractors to help perform the project. In most cases, the eligible entity must select a contractor (i.e. technology or engine manufacturer) through a fair and open competitive process as required by the procurement rules.

However, if the private company owns the fleet that will have the technology installed on its vehicles/equipment, then the eligible entity is partnering with the private company and does not have to select this private fleet owner through a competitive process. As a partner, the private company/fleet owner is considered a key component of the project.

Question A9: Can a grant be used to rent a facility for biodiesel or to rent a transport vehicle for biodiesel?

Answer: Renting of biodiesel storage or transportation services is considered infrastructure under this solicitation and is ineligible.

Question A10: The language in the RFA indicates that city or county agencies are eligible. Does this preclude a city or county government from applying?

Answer: No. For this RFA, the term “agencies” is a general term that applies to all levels of government and does not exclude a city or county government.

Question A11: Is fuel tank cleaning an eligible expense?

Answer: No.

Question A12: My fleet is not large enough for a project that falls within the award ranges in Section II. Can I include vehicles or equipment from other fleets in my proposal?

Answer: Yes, but you must identify the other fleet(s) that you wish to include, and describe your relationship with such entity. In addition, you must also provide a description of vehicles/equipment belonging to the other entity that will be involved in the project. The recipient of any assistance agreement funds may then contract directly with the vendor/installer of the technologies to apply those technologies for all of the vehicles/equipment described under the proposal, provided that the conditions for procurement as described in Section IV are followed.

Question A13: Can funds be used for a project that has already started or will be started before the expected award date?

Answer: No. Any funding awarded under this announcement must be used for activities that take place within the approved project period and may not be used for unauthorized pre-award costs.

However, funding could be used for a new component of an on-going project . For example, if the applicant has a fleet of 500 school buses and has already retrofitted 200, the applicant can apply for funds to retrofit the remaining 300 buses.

Question A14: Can applications still be submitted for demonstration projects?

Answer: No. Demonstration projects are not eligible under this RFA.

Question A15: Can we view the applications that were successful in obtaining federal funds?

Answer: Yes, you would have to file a Freedom of Information Act (FOIA). To do

so, contact the FOIA officer in the EPA Regional office that the application is from. Certain Confidential Business Information may be withheld.

Question A16: Is replacing single-axle dump trucks with double-axle trucks eligible?

Answer: Yes. There are several requirements however: 1) the new trucks should be able and assigned to perform the task that the old trucks did; 2) the old diesel trucks would need to be scrapped (see the definition in the RFA for scrapping); EPA will cover up to 25% of the cost of the replacement vehicle.

Question A17: We have already placed an order for new school buses but won't receive them or pay for them until June of 2010. Can we use this grant to pay for those buses?

Answer: The EPA funding can not be used to pay for items which were procured outside of the award period. In the case of pre-ordering buses, the applicant must demonstrate that the pre-ordering does not constitute a procurement and commitment to purchase. If you obligated your school district to pay for the buses prior to the beginning of the grant period, then you are not eligible for reimbursement under this program. In addition, this project is not for buses that would have been replaced through attrition, but rather, early replacement. In most cases, if the buses have already been ordered, the project would not be an early replacement project.

Question A18: For large projects like shore power with a relatively short timeline for completion, I would like to know what the guidelines are with regard to sole sourcing projects, or components of the overall project. The terms and conditions of the grant specify that competitive processes should be used for contracts.

Answer: If successful applicants intend to use EPA funds to purchase goods or services, such applicants must generally compete the contracts for those goods and services, make efforts to provide small and disadvantaged businesses with opportunities to compete, and conduct cost and price analyses to the extent required by the fair and open competition for procurement provisions of 40 CFR Part 30 or 31. Also see clause IV.D in the RFA.

While applicants are not required to identify contractors or consultants in their application, if they do so, it does not relieve the applicant of its

obligations to comply with competitive procurement requirements, nor does it guarantee that costs incurred for such contractor/consultant will be eligible under the grant/cooperative agreement.

Any mention of a specific vendor or fleet in an application does not imply that that vendor or fleet will be awarded a contract for goods or services or receive particular benefits under this program. Please note that applicants cannot award sole source contracts to consulting, engineering or other firms assisting applicants with the application based solely on the firm's role in preparing the application. EPA cannot accept sole source justifications for contracts for services or products that are otherwise readily available in the commercial marketplace. The regulations also contain limitations on consultant compensation.

You can find the EPA guidelines on "Purchasing Supplies, Equipment and Services under EPA Grants" at <http://www.epa.gov/ogd/recipient/procurement.htm>.

In some cases, however, the case for sole source justification may be made. These cases will be approved on a case-by-case basis after award by the EPA Project Officer.

Question A19: Should entities in rural areas apply, or is the competition focused on urban areas?

Answer: The competition is open to all eligible entities – as defined in Section III (A) of the RFA – and EPA encourages all types of eligible entities to apply. Please refer to the selection criteria in Section V of the RFA for additional information on how the proposals will be evaluated and scored.

Question A20: Is there a way that an eligible entity can preselect an equipment supplier for a retrofit program?

Answer: No. However, if the eligible entity chooses to select an equipment supplier through its competitive process prior to submitting its application, then the entity would not have to recompute the work if its project was selected. For example, a school system wants to retrofit all of its school buses with diesel particulate filters but is unsure of the details needed to develop a winning proposal. They could select a supplier through a competitive process and then coordinate with the selected supplier to develop a strong proposal.

Question A21: During a recent Grants Workshop, it was mentioned that nonprofits that submit winning proposals must meet certain additional requirements. What are those requirements?

Answer: There may be some additional requirements that affect awards to non-profit organizations. For example, see the Administration Capability clause in Section VI.G of the RFA.

In addition, effective October 1, 2007, grant specialists are including a new administrative condition in each grant award and increase amendment made to a non-profit organization. The condition which is shown below requires two employees of the recipient organization to take an on-line grants training course. No funds will be released for payments until the training is completed.

New Administrative Condition:

"The recipient acknowledges that two employees of this recipient organization must complete the mandatory on-line training, "EPA Grant Management Training for Non-Profit Applicants and Recipients." One person must be the project manager, or equivalent, for this assistance agreement. The other individual must be the person authorized to draw down funds for this assistance agreement. The training must be completed by both employees prior to the return of the award document to EPA and the receipt of any grant funds. The course can be accessed at: <http://www.epa.gov/ogd/>

At the end of the course the recipient must print out, sign and return the certificate of completion with the affirmation of acceptance to the appropriate grants office. The training certification will expire 3 years from the last training date. No funds will be released to the recipient by EPA until the required training is completed."

Question A22: Would eligible funding be applicable to infrastructure needed for the technology or does it have to be directly for the technology itself? For example, I am working on a project that involves electrifying diesel rubber-tired gantry (RTG) cranes. The retrofit kit itself (technology) would require the construction of infrastructure in order to power the technology. The infrastructure costs are significant so these funding programs will cover infrastructure needs?

Answer: No. This RFA does not cover infrastructure costs; however see section Bi of this document for information regarding Truck Stop Electrification infrastructures.

Question A23: Are demonstration project funds going to be available in 2009?

Answer: No. Any funding appropriated for FY 2009 will be for the DERA portion of the Energy Policy Act of 2005. These funds are for implementation projects, not demonstration projects. Refer to the Emerging Technologies RFA for more information.

Question A.24: What types of financing programs were funded in 2008?

Answer: In September 2008, EPA awarded \$3.4 million in grants to provide financial assistance for truckers under the SmartWay Clean Diesel Finance Program. These innovative loans will help small trucking firms lower their fuel costs, emissions, and their carbon footprint by purchasing newer used trucks and idling and emissions reduction technologies. For information on the 2008 SmartWay Clean Diesel Finance Program, please visit: <http://www.epa.gov/smartway/transport/what-smartway/financing-clean-diesel-info.htm>.

B. Project Eligibility

i. After-treatment and Anti-Idling Technologies

Question Bi.1: Are diesel particulate filters (DPFs) required for retrofits, or are we allowed to install diesel oxidation catalysts (DOCs) as well?

Answer: Diesel particulate filters and/or diesel oxidation catalysts that are EPA verified technologies can be used for a project in this RFA. Please read the RFA, Section I (C), Eligible Diesel Emissions Reduction Solutions for more information.

Question Bi.2: The RFA mentions that the funds can be used for idle reduction technologies. Can funds be used for a project to reduce idling through outreach programs (driver training, signs, etc.) and policy development? What are some examples of idle reduction technologies?

Answer: No. Only verified idle reduction technologies can be funded. For a list of idle reduction technologies eligible for funding under this announcement, please refer to Section I(C) of the RFA.

Question Bi.3: Would an engine that goes in a bus and runs on fuel and heats it up be

allowable?

Answer: As described on the web at <http://epa.gov/otaq/smartway/transport/what-smartway/verified-technologies.htm>, Fuel Operated Heaters (FOH) are approved idle reduction technologies. A FOH provides heat only. EPA has determined through its own test program that these devices reduce emissions on Class 8 trucks when compared to the truck's baseline emissions. In addition, the California Air Resources Board (CARB) has approved certain FOHs for compliance with applicable California emissions standards.

Question Bi.4: Are we able to apply for funds related to Exhaust Gas Recirculation (EGR) equipment we have installed on our fleets from 2000-2009?

Answer: No. The funding is for future improvements to diesel fleets and equipment. However, any experience you have can be used to demonstrate your programmatic capability and experience.

Question Bi.5: Under the Recovery Act, grants that involve projects that are defined in guidance as "Infrastructure" have several additional requirements. What are those requirements?

Answer: Only projects involving Truck-Stop Electrification (TSE) will be defined as infrastructure for this RFA. For those projects, there are requirements for Davis-Bacon Wage Rates and Buy American provisions for construction materials (iron, steel and manufactured construction materials). If a TSE project is selected for award, more information will be provided after award in the Terms and Conditions of the grant.

Question Bi.6: Our project would be for a competition for subgrant projects. Since the competition has not happened, we don't know if there will be subgrants involving Truck-Stop Electrification.

Answer: More information will be provided after award in the Terms and Conditions of the grant if the project could possibly include Truck-Stop Electrification.

ii. Clean and Alternative Fuels

Question Bii.1: Does "conventional diesel fuel" include low sulfur diesel (LSD)? In other words, can funding be used to displace LSD with ultra low sulfur diesel (ULSD) fuel (with less than 15 parts per million sulfur) use in off-road construction vehicles?

Answer: Yes. You can use the grant funds to offset the cost of ULSD in non-road equipment. However, note that ULSD is required in 2010 so funds cannot be used for ULSD in some off-road scenarios after 2010. Only the incremental cost may be eligible.

Question Bii.2: Can you include cost differential in the application even though you are already purchasing ULSD or biodiesel at a premium?

Answer: EPA will pay for the cost differential for new fuel contracts or changes to existing contracts. If an entity is already purchasing biodiesel or ULSD at a premium, EPA will not provide reimbursement for that activity. However, EPA will pay the cost differential associated with renewing, extending or obtaining a new contract for cleaner fuel.

Question Bii.3: Can an entity apply to fund the manufacturing process of biodiesel (or another cleaner fuel)?

Answer: No. This competition is intended to be for implementation of verified or certified diesel emissions reduction technologies, and is not intended to fund the manufacture, research, or development of those emission reduction technologies (fuel, equipment, etc.). Section II (E) of the RFA lists other funding restrictions and requirements.

Question Bii.4: What are the requirements for projects to add vegetable oil (such as strained and filtered old cooking oil) to diesel fuel?

Answer: The vegetable oil must first be registered as a fuel additive. Vegetable oil, such as strained and filtered cooking oil, is not the same as biodiesel. EPA allows up to a 5% vegetable oil blend with diesel fuel, provided the diesel continues to meet ASTM diesel specifications. The manufacturer or facility producing the vegetable oil must have it registered as a fuel additive via EPA Form 3520-13, Fuel Additive Manufacturer Notification, available at: <http://www.epa.gov/otaq/regs/fuels/ffarsfrms.htm>

Question Bii.5: Our town is planning to use filtered, used vegetable oil from local restaurants in our highway department diesel vehicles and school buses. We would like to establish the infrastructure to collect, process and blend this vegetable oil with diesel fuel. Will this initiative fall under the guidelines for this program?

Answer: No. Cooperative agreement funds cannot be used for fueling infrastructure, such as that used for the production and/or distribution of fuel such as biodiesel, or compressed natural gas fueling stations. SVO (straight vegetable oil) is not an EPA registered fuel. See the related question regarding vegetable oil use. The conversion kits to run an engine on SVO are not certified either and are not eligible for funding.

If the SVO is converted to biodiesel that meets ASTM standards, the purchase and use of ASTM biodiesel is allowed under the grant program. The biodiesel manufacturer must have it registered as diesel fuel, using EPA Form 3520-12 at <http://www.epa.gov/otaq/regs/fuels/ffarsfrms.htm>. However, the infrastructure costs of making and distributing the fuel are not eligible under the National Clean Diesel Funding Assistance Program. Additionally, only the incremental cost for cleaner fuel is eligible.

iii. Engine Replacements/Repowers/Shutdowns

Question Biii.1: Is replacing gasoline powered vehicles or equipment with new diesel powered vehicles or equipment eligible under this RFA?

Answer: No, the replacement of gasoline-powered vehicles or equipment is not allowable under this RFA. However, replacement of diesel vehicles and equipment with newer, cleaner diesel or hybrid or alternative fuel vehicles or equipment is eligible for funding under this announcement per Section I(C) of the RFA.

Question Biii.2: Is converting a truck to CNG considered an engine replacement, an engine upgrade or a retrofit?

Answer: If the existing engine is converted to run on CNG through the installation of a "kit", it is an engine upgrade. The "kit" must be certified, and it is not verified as a retrofit. If the entire engine and fueling system are swapped out with a CNG engine configuration, it is a repower and it also must be certified.

Question Biii.3: Would purchase of new CNG refuse trucks to replace diesel units qualify under this program?

Answer: Yes, as an early replacement for an old diesel vehicle, CNG replacement would be an eligible activity under this RFA. Up to 25% of the cost of the new vehicle can be included in a grant application. Emission reductions that would have occurred through normal attrition

are not eligible: it must be early retirement. In addition, the old diesel vehicle must be scrapped or remanufactured (see RFA for details).

Question Biii.4: We would like to replace the 70 daily diesel truck trips with an approved state-of-the-art pipeline delivery system. Would this be eligible under the RFA?

Answer: This project doesn't qualify under our program. Other Funding Opportunities offered by other Federal agencies besides EPA under the Recovery Act may cover such a project.

Question Biii.5: Is the new purchase of alternative technology switcher locomotives (multi-engine gen sets) eligible for funding under this program? If so, what percentage of funding would this type of project be eligible to receive? If the new purchase is not eligible, could this type of project be funded as a replacement and be eligible for 25%?

Answer: Yes, under a locomotive replacement program. The purchase of a new locomotive would not qualify if the overall fleet is expanding by the purchase and no comparable locomotive were removed from service. The grant would cover the incremental cost of new vehicles and equipment, which would be up to 25% of the cost of the new vehicle or equipment. As a replacement project, the locomotive removed from service would have to comply with RFA requirements. The engine must be permanently disabled and the locomotive chassis must also be permanently disabled. If you are just replacing the engine, that would be repower and EPA would pay up to 75%.

Question Biii.6: Are trailer refrigeration units eligible for replacements under this RFA?

Answer: Yes, they would be eligible, provided that the replacement is a certified cleaner engine, and the old refrigeration unit & engine is permanently disabled. Additionally, the applicant is responsible for complying with all laws for proper recycling and handling of refrigerants in this type of replacement project.

Question Biii.7: Are diesel-powered standby gen sets eligible for program funding?

Answer: Yes.

Question Biii.8: Can the grant money be used to replace existing older style diesel generators? Can the grant money be used to buy new tier 2/3 diesel generators; for Sewer Lift Stations, Water-Wells?

Answer: Replacement/ upgrade of engines are eligible activities and include replacement/upgrade of stationary engines. Please review the limitations for replacement and upgrades in Section I.B.

Question Biii.9: How much does EPA cover if a diesel heavy-duty vehicle is replaced with a hybrid?

Answer: EPA covers 25% of engine/vehicle replacements, except for school buses meeting the 2010 emissions standards, for which we cover 50%.

Question Biii.10: Does the grant for cleaning agricultural diesel emissions include replacing diesel powered water pumps with electric pumps?

Answer: Yes, our grant funding would cover a project that replaced diesel-powered water pumps. The replacement engines would have to be certified by EPA or CARB.

Question Biii.11: Does the term "school buses" mean buses which transport school pupils, or is a generic term in Section I.C.5.f.i in the RFA? We use school buses to transport inmates.

Answer: The term is specific and refers to medium or heavy-duty buses which transport children to and from educational facilities.

Question Biii.12: I am preparing an application for the ARRA Diesel Funding and would like to ask a clarifying question. We are applying for funds to administer a subgrant program for engine repowers. Engine repowers require a 25% cost share for the parts and installation, but if I include a request for funds to support staff and marketing assistance for the project, that funding use does not have a cost share requirement. Is this correct?

Answer: The entire project requires a 25% cost-share. In other words, if the entire project (parts, labor, personnel, etc.) costs \$100,000, then the cost-share would be 25%, or \$25,000.

iv. Scrappage

Question Biv.1: What constitutes the “scrappage” of a vehicle after it is replaced? Are we allowed to sell it?

Answer: If only the engine is replaced, it must be rendered either inoperable by drilling core holes (or other destructive method) or be recycled and upgraded through the original engine manufacturer. If the entire vehicle is replaced, then the vehicle can be sold, but the engine must be scrapped or upgraded through an OEM reuse program. The vehicle must be permanently disabled such as by cutting the frame. If a vehicle or engine is sold for parts or scrap, any income must be accounted for in the project.

Evidence of appropriate disposal is required in a final assistance agreement report submitted to EPA. To be able to apply for this funding opportunity for replacement of a vehicle, engine, or equipment, the following requirements apply:

1. The vehicle, engine, or equipment being replaced will be scrapped, or the replaced engine would be returned to the original engine manufacturer for remanufacturing to a cleaner standard.
2. The replacement vehicle or engine will be of the same type and similar gross vehicle weight rating or horsepower as the vehicle or engine being replaced. The replacement vehicle/equipment must be of the same type and similar gross vehicle weight rating or horsepower as the vehicle/equipment being replaced (e.g., a 300 horsepower bulldozer is replaced by a bulldozer of similar horsepower). The replacement vehicle/equipment must perform the same function as the vehicle/equipment that is being replaced (e.g., an excavator used to dig pipelines would be replaced by an excavator that continues to dig pipelines). These projects can also include the replacement of nonroad vehicles/equipment with highway models if the highway models are capable of performing the same functions as the nonroad models.

Question Biv.2: I would like to apply for funds to scrap old diesel trucks. There would be no retrofitting involved, or the purchase of a replacement vehicle. Am I eligible?

Answer: No. This RFA can only be used for projects using an EPA certified engine configuration or a verified technology. A scrappage project does

not use a certified engine configuration or a verified technology as those terms are defined in DERA.

Question Biv.3: I would like to apply for funds to purchase a new truck and simultaneously scrap an old diesel truck. Could the RFA money be used to pay the administrative cost of scrapping the old vehicle (drilling a hole in the engine block, towing to a scrap yard, etc)?

Answer: The funds could arguably be used to pay for the scrappage costs, provided that the project is using a certified engine configuration or verified technology. For the cost to be eligible, you would have to determine whether the project involving the purchase of new trucks is a project using a certified engine configuration or a verified technology. For example, a grantee could use grant funds to purchase a new truck and pay for scrappage if the new truck purchased has a certified engine configuration (a new engine configuration that has been certified or verified by EPA or CARB that meets a more stringent set of emissions standards as determined by EPA). The scrappage would be part of the overall project using the certified engine configuration and the scrappage would contribute to the diesel emissions reductions.

Question Biv.4: Does EPA only pay for the incremental cost of an engine/vehicle replacement AFTER the costs of scrapping the old engine are factored in?

Answer: Although the old engines do need to be scrapped, any money received for the old engine is not factored into EPA's grant funding percentages. EPA covers 25% of engine/vehicle replacements, except for school buses meeting the 2010 emissions standards, for which we cover 50%. However, if the old engine is sold for scrap metal (after being disabled), that money will be considered project income and needs to be rolled back into the grant.

v. Shore Power, Hybrids, and more

Question Bv.1: Will the funding assistance cover all or a portion of the design and construction of a "cold-ironing" system to provide shore-side power to a ship at berth?

Answer: The assembly of a cold-ironing system to provide shore-side power at a ship berth is an eligible activity and project funds can be used to fund this activity.

Question Bv.2: How can hybrid vehicles be eligible for this RFA?

Answer: There are a couple of opportunities for medium and heavy-duty hybrid vehicles in this RFA.

First - A hybrid vehicle may go through the verification process to quantify the benefits of the hybrid vehicle compared to a comparable traditional drive vehicle. In this case, the manufacturer must submit an application for verification and follow the traditional verification process. Depending on the design, the hybrid vehicle may qualify under the Emerging Technology program.

Second - A hybrid vehicle may qualify as a replacement vehicle under DERA. As a replacement strategy, the applicant would need to comply with other requirements described for replacement vehicle projects.

In each of these cases, an appropriately certified engine must be used in the vehicle. Non-road engines may not be used in on-highway hybrid vehicles. Hybrid vehicles that use engines covered by a testing exemption are not eligible.

Question Bv.3: Are railroads that are publicly or privately held companies not associated with a government or port eligible for this funding? (For instance, short line railroads or industrial operations.)

Answer: Applicants must be eligible entities. Private companies are not eligible. Eligible entities for these funds include:

A) A regional, State, local or tribal agency or port authority with jurisdiction over transportation or air quality; and

B) A nonprofit organization or institution that— 1) represents or provides pollution reduction or educational services to persons or organizations that own or operate diesel fleets; or 2) has, as its principal purpose, the promotion of transportation or air quality.

School districts, municipalities, metropolitan planning organizations (MPOs), cities and counties are all eligible entities under this assistance agreement program within the extent that they fall within the definition above.

However, the railroad could partner with an eligible entity as outlined above and receive a subgrant or subcontract for an eligible project, if appropriate procedures are followed.

Question Bv.4: If a company has been awarded funding from a state such as TCEQ can they apply for federal funding through DERA to make up the balance of a locomotive replacement cost?

Answer: Yes, as long as the said “state funding” is not actually Federal funding that was allocated to the state. And for-profit entities are not eligible for this funding. So a private company would need to collaborate with an eligible entity in order to apply for funding.

Question Bv.5: We have a project to replace two 1992 Heavy Duty buses with two Hybrid Transit Buses. Are we eligible?

Answer: Yes, assuming you are an eligible entity. However, be aware though that EPA will only cover up to 25% of the cost of the hybrid buses if your application is approved. So be prepared to provide the remaining 75% of the cost.

Question Bv.6: For verified low rolling resistance tires, are there requirements on what to do with old tires that are replaced?

Answer: For tire replacement projects, the original tires should be scrapped according to local or state requirements, or the tires can be salvaged for reuse or retreading.

Question Bv.7: Are other changes needed to the truck to accommodate a change to single wide tires? What are they and are those costs covered under the 100%?

Answer: Typical changes to retrofit a drive or trailer wheel/tire to single wide tires are new wheels and new tires. The tire/wheel/axle manufacturer can provide guidance on the appropriate outset mounting - generally, it's 2". Retrofitting axles, hubs, and bearings may or may not be required, depending upon load requirements and equipment. N type axle spindles, found on some trailers, are tapered, and may need to be retrofitted. P type axle spindles are thicker at the spindle end and, generally speaking, should not require a retrofit. As an alternative to retrofitting, the Technology & Maintenance Council's *Guidance for Single Wheels for Outset Drive and Trailer Applications* provides an industry-recommended practice to reduce the load rating on single outset wheels on both trailer and drive axles, to permit the operation of single wheels without affecting the anticipated life

of wheel and/or axle parts, for most applications that use standard ductile hubs.

The RFA states that labor and equipment costs are included in the 100%, so axles are included as well.

C. Application Process

Question C.1: Where do I get an RFA and where do I send the proposal?

Answer: The Request for Applications (RFA) can be downloaded at EPA's web site: <http://www.epa.gov/otaq/eparecovery/index.htm> and is also available through www.grants.gov. The RFA contains information on how to submit an application and where to submit it. Please make sure you use the most recent version of the RFA when preparing your application since it has been slightly modified since it was originally posted on March 24, 2009.

Question C.2: Where do I find the actual form to submit the grant?

Answer: Please go to www.epa.gov/ogd/AppKit/application.htm. You will find all the forms and the process to apply for funds under this RFA. Section IV (B) of the RFA includes detailed instructions on submission and application process.

Question C.3: What is an example budget for the SF-424A?

Answer: The proposed budget must have budget categories that reflect those on the SF- 424A. An example of a detailed budget is provided as Appendix A of the RFA. The budget should indicate what portion of the cost will be paid by EPA, and what portion will be paid by the applicant or other partners. Leveraged funds are not included in the approved budget for the project.

Question C.4: How do I demonstrate that an area is economically disadvantaged?

Answer: One way to demonstrate that an area is economically disadvantaged is to cite data from the U.S. Census Bureau Web site (www.census.gov) concerning the percent of area residents living in poverty. The Area Profile tool on this Web site can provide this statistic, as can using the Bureau's Small Area Income and Poverty Estimates Web site (<http://www.census.gov/hhes/www/saipe/saipe.html>).

Question C.5: Is there a required match when applying for funding?

Answer: There is no match requirement for this program.

Question C.6: Past Performance: Is it necessary to list every federally funded grant the applicant has received in the last 3 years, if the applicant is a large organization that has received a large number of grants?

Answer: No. If the applicant has performed grants that are not similar in size, scope and/or relevance to the proposed project, it is not necessary to list them. And the RFA says to list not more than 3.

Question C.7: Past Performance: What if the applicant has received grants similar in scope, size and relevance, but the agreement was closed out more than 3 years ago? Can they still be listed?

Answer: The RFA specifies that they must have been performed in the last 3 years. Agreements that were implemented and closed out more than 3 years ago will not be considered in the scoring process.

Question C.8: Is the project implementation timeline presented in the grant announcement and running from June 2009 to September 30, 2011 a requirement for a) the obligation of money to a project b) the beginning of project work c) the substantial completion of a project d) the completion of a project?

Answer: For the SmartWay Clean Diesel Finance Program, the Sept 30, 2011 date is a goal for the work to be completed, with 90 days for the last invoicing and final technical report and wrap-up of the project. If the work is not completed, the organization can ask EPA for a no-cost extension to complete the work. The Recovery Act appropriation expires on September 30, 2010, so EPA cannot obligate any Recovery Act funds after that date.

Question C.9: We submitted a 2-year application in (08-09 cycle). Do we need to apply for 09?

Answer: Yes, you will need to apply again for the 09 (2009-2010) cycle under this RFA. All of the grants under the Recovery Act will be new awards.

Question C.10: Can you put outputs and outcomes in table form?

Answer: Yes. You should make sure that you adequately explain the benefits of your project, in addition to the table.

Question C.11: Are applicants required to submit the Lobbying Certification when they submit their proposal package?

Answer: Yes. The required application materials are listed in Section IV.C of the RFA.

Question C.12: How do we calculate job creation/retention?

Answer: An applicant will only have to measure and report on jobs created/retained as a direct result of the project funding (recipients and tier one sub-grantees or contractors). In the application, the applicant must demonstrate how the proposed project will promote economic recovery and job creation and/or preservation.

Question C.13: Is there a maximum amount of program administration funding (costs?) that an eligible entity can request?

Answer: Yes. Administrative costs cannot exceed 15% of the total grant under this competition. Applicants should be aware that the amount budgeted for administrative costs will impact the “cost-effectiveness” criterion against which applications will be evaluated.

Question C.14: Is there a place to look up a list of covered costs for repower and replacement by component?

Answer: No. For this program, the entire cost of a repower and/or replacement can be financed.

Question C.15: The American Recovery and Reinvestment Act (Recovery Act) notes *"That none of the funds appropriated herein for Diesel Emission Reduction Act grants shall be subject to the State Grant and Loan Program Matching Incentive provisions of section 793(c)(3) of such Act."* Yet the grant notice indicates that matching funds will be required for certain projects. Can you please explain?

Answer: The State Clean Diesel program ordinarily offers a matching incentive provision for States, but for the Recovery Act this provision was waived.

Question C.16: Please provide a description of the Vehicle Classes 5, 6, 7, 8, 8A and 8B as used in the optional Applicant Fleet Description spreadsheet.

Answer: Check Appendix A, Table A.2 of the Diesel Emissions Quantifier User's Guide <<http://cfpub.epa.gov/quantifier/view/userguide.cfm>>

Question C.17: What types of applications are requested under the SmartWay Clean Diesel Finance Program?

Answer: The Recovery Act Funding for the SmartWay Clean Diesel Finance Program will support the creation of national, state or local innovative clean diesel financial programs, which promote job preservation and/or creation and economic recovery. Innovative financial programs include those where the loan recipient receives a specific financial incentive (i.e., better than regular market rates or conditions) for the purchase of retrofitted vehicles or equipment.

Question C.18: Is a dollar match requirement of the eligibility component of the SmartWay Clean Diesel Finance Program?

Answer: There is no match requirement for the SmartWay Clean Diesel Finance Program, but EPA encourages the use of leveraged funds to enhance and expand the project.

Question C.19: Regarding the SmartWay Finance grants, will Quarterly Reports be required after the grant closes in 2011?

Answer: Once the grant officially closes, EPA no longer requires any reporting from the grantee. In the application, applicants should provide information on the sustainability of the project beyond the assistance agreement period. It is EPA's intention that the recipient use remaining program funds and income accrued after the closeout in a manner consistent with the EPA goals, objectives, and sub-objectives of the original cooperative agreement. In accordance with 40 C.F.R. § 30.53, the recipient shall maintain appropriate records to document compliance with the requirements of the closeout agreement (i.e., records relating to the use of post-award program income). EPA may request access to these records or may negotiate post-close-out reporting requirements to verify that **remaining program funds** and the post-award program income has been used in accordance with the EPA goals, objectives, and sub-objectives of the original cooperative agreement.

Question C.20: What are the administrative requirements after the grant closes?

Answer: Once the grant officially closes, EPA has no further official involvement and there are no additional administrative requirements. In the application, applicants should provide information on the sustainability of the project beyond the assistance agreement period.

Question C.21: What is the tie-in between the finance program and SmartWay?

Answer: The SmartWay program works hand in hand with the National Clean Campaign to promote diesel emission reduction strategies. The SmartWay program has promoted innovative approaches to emission reduction, such as the development of low cost financing programs for the purchase of fuel saving and emission control devices. EPA's SmartWay program is administering the SmartWay Clean Diesel Finance Program.

Question C.22: Is there a specific form where we state the Project Narrative?

Answer: For the SmartWay Clean Diesel Finance Program, there isn't a specific form for the Narrative Proposal. Refer to the RFA for details on what should be included in the Narrative Proposal.

D. Recovery Act Requirements

Question D.1: What requirements does the American Recovery and Reinvestment Act (Recovery Act) impose on this program that makes Recovery Act funded projects different than projects funded under the regular DERA RFP?

Answer: The Recovery Act includes certification requirements, Buy American requirements, Wage Rate requirements, Quick-start requirements, and special reporting requirements. We are developing Recovery Act Q&As to address the requirements imposed by the Recovery Act.